



First Capital

PROVISIONAL

FINANCIAL

STATEMENTS

QUARTER ENDED 31ST MARCH 2020

FIRST CAPITAL TREASURIES PLC



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period	Note	January ~ March 2020 (Unaudited)	March 2019 (Unaudited)	April ~ March 2020 (Unaudited)	March 2019 (Audited)
Income		727,730	686,779	3,708,920	2,680,317
Direct income		727,331	699,046	3,708,401	2,671,869
Direct expenses		(521,334)	(662,515)	(2,056,410)	(2,334,942)
Net trading income		205,997	36,531	1,651,991	336,927
Other income/(expense)	1	399	(12,267)	519	8,448
Gain/(loss) on fair valuation of financial assets recognised through profit or loss - measured at fair value		283,131	422,130	362,930	(76,249)
		489,527	446,394	2,015,440	269,126
Operating expenses					
Administrative expenses		(34,710)	(18,969)	(228,028)	(99,699)
Sales and distribution expenses		(2,730)	(547)	(5,260)	(6,686)
Other operating expenses		(5,666)	(16,807)	(30,493)	(25,313)
		(43,106)	(36,323)	(263,781)	(131,698)
Profit before tax		446,421	410,071	1,751,659	137,428
Income tax expense	2	(173,194)	(40,982)	(544,082)	(41,621)
Profit for the period		273,227	369,089	1,207,577	95,807
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Loss on financial assets fair value through other comprehensive income		-	(1,000)	(1,000)	(1,000)
Actuarial loss on retirement benefit obligation		(338)	(1,672)	(338)	(1,672)
Tax effect on other comprehensive income	2	94	468	94	468
Item that are or may be reclassified to Profit or Loss		-	-	-	-
Other comprehensive income		(244)	(2,204)	(1,244)	(2,204)
Total comprehensive income for the period		272,983	366,885	1,206,333	93,603
Earnings per share (Rs.)		17.75	23.98	78.47	6.23

Figures in bracket indicate deductions.
Note: All values are in Rupees '000 unless otherwise stated.



STATEMENT OF FINANCIAL POSITION

As at	Note	31 st March 2020 (Unaudited)	31 st March 2019 (Audited)
ASSETS			
Cash at banks and in hand		8,361	2,144
Derivative financial instruments		2,734	3,454
Financial assets recognised through profit or loss - measured at fair value		36,212,069	29,533,427
Financial assets at amortised cost		793,503	1,863,996
Receivable from related companies		360	11,616
Taxes receivable		508	1,468
Deferred tax asset		262,493	806,482
Other assets		94,272	97,706
Property, plant and equipment		7,195	1,255
Intangible assets		1,106	1,399
TOTAL ASSETS		37,382,601	32,322,947
LIABILITIES			
Bank overdrafts		-	6,660
Derivative financial instruments		3,118	2,878
Securities sold under re-purchase agreements		32,182,773	27,482,737
Short term borrowings		-	991,384
Creditors and other payables		227,058	91,132
Payable to related companies		19,698	716
Income tax payable		439,878	-
Borrowings on listed debentures	4	758,342	511,111
Retirement benefit obligations		14,331	11,446
TOTAL LIABILITIES		33,645,198	29,098,064
EQUITY			
Stated capital	5	256,500	256,500
Risk reserve		1,203,065	1,082,307
Retained earnings		2,279,838	1,887,076
Fair valuation reserve		(2,000)	(1,000)
TOTAL EQUITY		3,737,403	3,224,883
TOTAL EQUITY & LIABILITIES		37,382,601	32,322,947

Note: All values are in Rupees '000 unless otherwise stated.
The above figures are subject to audit.

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)
Mangala Jayashantha
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

(Sgd.)
Dilshan Wirasekara
Director/Chief Executive Officer

(Sgd.)
Dinesh Schaffter
Managing Director

11th August 2020
Colombo



STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2020

	Stated Capital	Risk Reserve	Retained Earnings	Fair Valuation Reserve	Total Equity
Balance as at 1st April 2018 (Audited)	256,500	1,072,726	1,802,054	-	3,131,280
<u>Total comprehensive income for the period</u>					
Profit for the year	-	-	95,807	-	95,807
Other comprehensive income	-	-	(1,204)	(1,000)	(2,204)
Total comprehensive income	-	-	94,603	(1,000)	93,603
<u>Transactions with equity holders</u>					
Transfer to risk reserve	-	9,581	(9,581)	-	-
Total transactions with equity holders	-	9,581	(9,581)	-	-
Balance as at 31st March 2019 (Audited)	256,500	1,082,307	1,887,076	(1,000)	3,224,883
Balance as at 1st April 2019 (Audited)	256,500	1,082,307	1,887,076	(1,000)	3,224,883
Impact of adopting IFRIC 23 (Note 9)	-	-	(439,878)	-	(439,878)
Adjusted balance as at 1st April 2019	256,500	1,082,307	1,447,198	(1,000)	2,785,005
<u>Total comprehensive income for the period</u>					
Profit for the year	-	-	1,207,577	-	1,207,577
Other comprehensive income	-	-	(244)	(1,000)	(1,244)
Total comprehensive income	-	-	1,207,333	(1,000)	1,206,333
<u>Transactions with equity holders</u>					
Distribution to equity holders					
Dividend paid (1 st Interim - 2019/20)	-	-	(253,935)	-	(253,935)
Total distribution to equity holders	-	-	(253,935)	-	(253,935)
Total transactions with equity holders	-	-	(253,935)	-	(253,935)
Transfer to risk reserve	-	120,758	(120,758)	-	-
Balance as at 31st March 2020 (Unaudited)	256,500	1,203,065	2,279,838	(2,000)	3,737,403

Figures in bracket indicate deductions.

Note: All values are in Rupees '000 unless otherwise stated.



STATEMENT OF CASH FLOWS

For the year ended 31st March

Cash flows from operating activities

Interest receipts and gains realized	3,708,163	2,667,994
Interest payments and other direct cost	(1,782,628)	(2,151,693)
Other receipts	519	442
Cash payments to employees and suppliers	(138,229)	(118,284)
Operating profit before changes in operating assets and liabilities	1,787,825	398,459
(Increase)/ Decrease in financial assets recognised through profit or loss measured at fair value	(6,314,752)	(6,207,970)
(Increase)/ Decrease in financial asset at amortised cost	1,070,731	(891,234)
(Increase)/ Decrease in receivable from related companies	11,256	(6,377)
(Increase)/ Decrease in other assets	(2,822)	141,324
Increase/ (Decrease) in creditors and accrued charges	14,834	112
Increase/ (Decrease) in payable to related companies	18,982	(41,762)
Increase/ (Decrease) in short term borrowings	(991,384)	990,306
Increase/ (Decrease) in Securities sold under Repurchase Agreements	4,423,485	5,609,163
Cash generated from/ (used in) operations	18,155	(7,979)

Tax paid	(5)	-
Gratuity paid	-	(2,822)
Net cash from/ (used in) operating activities	18,150	(10,801)

Cash flow from investing activities

Purchase of property, plant and equipment	(138)	(309)
Purchase of intangible assets	(200)	(1,730)
Proceeds from disposal of property, plant and equipment	-	8,006
Investment in financial assets fair value through other comprehensive income	(1,000)	-
Net cash from/ (used in) investing activities	(1,338)	5,967

Cash flow from financing activities

Redemption of borrowing on debentures (Issued in February 2015)	(500,000)	-
Borrowing on debentures (Issued in January 2020)	750,000	-
Dividend paid	(253,935)	-
Net cash From/ (used in) financing activities	(3,935)	-

Net cash inflow/ (outflow) for the period

Cash and cash equivalents at the beginning of the period	(4,516)	318
Cash and cash equivalents at the end of the period (Note A)	8,361	(4,516)

Note A

Cash at bank and in hand	8,361	2,144
Bank overdraft	-	(6,660)
	8,361	(4,516)

Figures in bracket indicate deductions.

Note: All values are in Rupees '000 unless otherwise stated.



NOTES TO THE FINANCIAL STATEMENTS

1 Other Income

Exchange gain/(loss)
Profit on disposal of fixed asset
Miscellaneous income

January - March		April - March	
2020	2019	2020	2019
Rs'000	Rs'000	Rs'000	Rs'000
180	(12,274)	295	427
-	-	-	8,006
219	7	224	15
399	(12,267)	519	8,448

2 Income Tax Expenses

Recognised in profit or loss

Current tax expenses
Deferred tax expense

January - March		April - March	
2020	2019	2020	2019
Rs'000	Rs'000	Rs'000	Rs'000
-	-	-	-
(173,182)	(40,982)	(544,082)	(41,621)
(173,182)	(40,982)	(544,082)	(41,621)
<u>Recognised in other comprehensive income</u>			
-	-	-	-
94	468	94	468
94	468	94	468
(173,088)	(40,514)	(543,988)	(41,153)

2.1 The Company is liable to pay income tax at the rate of 28% for the period of nine months from 1st April 2019 to 31st December 2019 as per the Inland Revenue Act No 24 of 2017 and at the rate of 24% for the period from 1st January 2020 to 31st March 2020 as per the Inland Revenue Department Notice PN/IT/2020-03 dated 12th February 2020 on its taxable income for year 2019/20 (2018/19 : 28%). However, the legislative process relating to the amendment to laws needs to be completed for the proposed tax rate to be considered as substantively enacted as at the reporting date. Hence, current tax liability for the period from 1st January 2020 to 31st March 2020 has been computed using the existing tax rate of 28%.

3 These Provisional Financial Statements for the quarter ended 31st March 2020 have been prepared in accordance with Sri Lanka Accounting Standard (LKAS 34) "Interim Financial Reporting."

4 The debentures represent 7,500,000 rated, subordinated, unsecured, redeemable debentures at a face value of Rs. 100/- interest payable at a rate of 12.75% semi annually (issued in January 2020).

5 The number of shares represented by stated capital as at 31st March 2020 is 15,390,000 shares (31st March 2019 - 15,390,000 shares).



NOTES TO THE FINANCIAL STATEMENTS

6 Financial instruments- Fair Value Measurement

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements in accordance with SLFRS 13.

Level - 1

Financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level - 2

Financial instruments that are measured at fair value on a recurring basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined using relevant information generated by market transactions involving comparable securities.

Level - 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

6.1 Fair values versus the Carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follow:

	As at 31.03.2020		As at 31.03.2019	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
Financial assets measured at fair value				
Derivative financial instrument	2,734	2,734	3,454	3,454
Financial assets recognised through profit or loss - measured at fair value	36,212,069	36,212,069	29,533,427	29,533,427
	36,214,803	36,214,803	29,536,881	29,536,881
Financial assets not measured at fair value				
Cash at banks and in hand	8,361	8,361	2,144	2,144
Financial assets at amortised cost	793,503	793,503	1,863,996	1,863,996
Receivable from related companies	360	360	11,616	11,616
	802,224	802,224	1,877,756	1,877,756
Total financial investments	37,017,027	37,017,027	31,414,637	31,414,637
Financial liabilities measured at fair value				
Derivative financial instrument	3,118	3,118	2,878	2,878
	3,118	3,118	2,878	2,878
Financial liabilities not measured at fair value				
Bank overdraft	-	-	6,660	6,660
Securities sold under re-purchase agreements	32,182,773	32,209,225	27,482,737	27,484,820
Payable to related companies	19,698	19,698	716	716
Short term borrowings	-	-	991,384	991,384
Borrowings on debentures	758,342	772,145	511,111	499,792
	32,960,813	33,001,068	28,992,608	28,983,372
Total financial liabilities	32,963,931	33,004,186	28,995,486	28,986,250



NOTES TO THE FINANCIAL STATEMENTS

6.2 Financial instruments- Fair Value

The following tables show an analysis of financial instruments at fair value and by level of fair value hierarchy.

As at 31 st March 2020	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	2,734	2,734	-	-	2,734
	2,734	2,734	-	-	2,734
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	36,212,069	36,212,069	-	-	36,212,069
	36,212,069	36,212,069	-	-	36,212,069
Financial assets - fair value through other comprehensive income					
	-	-	-	-	-
	36,214,803	36,214,803	-	-	36,214,803
Financial assets not measured at fair value					
Cash at banks and in hand	8,361	-	-	8,361	8,361
Financial assets at amortised cost	793,503	-	-	793,503	793,503
Receivable from related companies	360	-	-	360	360
	802,224	-	-	802,224	802,224
Total financial investments	37,017,027	36,214,803	-	802,224	37,017,027
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	-	-	-	-	-
Forward sale contracts	3,118	3,118	-	-	3,118
	3,118	3,118	-	-	3,118
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	32,182,773	-	-	32,209,225	32,209,225
Payable to related companies	19,698	-	-	19,698	19,698
Borrowings on debentures	758,342	-	772,145	-	772,145
	32,960,813	-	772,145	32,228,923	33,001,068
Total financial liabilities	32,963,931	3,118	772,145	32,228,923	33,004,186



6.2 Financial instruments- Fair Value

The following tables show an analysis of financial instruments at fair value and by level of fair value hierarchy.

As at 31st March 2019

	Total Carrying Value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Fair Value Rs.'000
Financial assets measured at fair value					
Derivative financial instruments					
Forward purchase contracts	3,454	3,454	-	-	3,454
	3,454	3,454	-	-	3,454
Financial assets recognised through profit or loss - measured at fair value					
Investment in government securities	29,533,427	29,533,427	-	-	29,533,427
	29,533,427	29,533,427	-	-	29,533,427
Financial assets - fair value through other comprehensive income					
	-	-	-	-	-
	29,536,881	29,536,881	-	-	29,536,881
Financial assets not measured at fair value					
Cash at banks and in hand	2,144	-	-	2,144	2,144
Financial assets at amortised cost	1,863,996	-	-	1,863,996	1,863,996
Receivable from related companies	11,616	-	-	11,616	11,616
	1,877,756	-	-	1,877,756	1,877,756
Total financial investments	31,414,637	29,536,881	-	1,877,756	31,414,637
Financial liabilities measured at fair value					
Derivative financial instruments					
Forward purchase contracts	2,638	2,638	-	-	2,638
Forward sale contracts	240	240	-	-	240
	2,878	2,878	-	-	2,878
Financial liabilities not measured at fair value					
Bank overdrafts	6,660	-	-	6,660	6,660
Securities sold under re-purchase agreements	27,482,737	-	-	27,484,820	27,484,820
Payable to related companies	716	-	-	716	716
Short term borrowings	991,384	-	-	991,384	991,384
Borrowings on debentures	511,111	-	499,792	-	499,792
	28,992,608	-	499,792	28,483,580	28,983,372
Total financial liabilities	28,995,486	2,878	499,792	28,483,580	28,986,250



NOTES TO THE FINANCIAL STATEMENTS

6.3 Financial instruments - Accounting classifications

As at 31st March 2020

	Financial assets - FVTPL Rs. '000	Financial assets/ liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value					
Derivative Financial Instruments	2,734	-	-	2,734	2,734
Financial assets - FVTPL	36,212,069	-	-	36,212,069	36,212,069
	36,214,803	-	-	36,214,803	36,214,803
Financial assets not measured at fair value					
Cash at banks and in hand	-	8,361	-	8,361	8,361
Financial assets at amortised cost	-	793,503	-	793,503	793,503
Receivable from related companies	-	360	-	360	360
	-	802,224	-	802,224	802,224
Total financial assets	36,214,803	802,224	-	37,017,027	37,017,027
Financial liabilities measured at fair value					
Derivative Financial Instruments	3,118	-	-	3,118	3,118
	3,118	-	-	3,118	3,118
Financial liabilities not measured at fair value					
Securities sold under re-purchase agreements	-	32,182,773	-	32,182,773	32,209,225
Payable to related companies	-	19,698	-	19,698	19,698
Borrowings on debentures	-	758,342	-	758,342	772,145
	-	32,960,813	-	32,960,813	33,001,068
Total Financial Liabilities	3,118	32,960,813	-	32,963,931	33,004,186

As at 31st March 2019

	Financial assets - FVTPL Rs. '000	Financial assets/ liabilities at amortised cost Rs. '000	Financial assets - FVTOCI Rs. '000	Total carrying amount Rs. '000	Fair value Rs. '000
Financial assets measured at fair value					
Derivative Financial Instruments	3,454	-	-	3,454	3,454
Financial assets - FVTPL	29,533,427	-	-	29,533,427	29,533,427
	29,536,881	-	-	29,536,881	29,536,881
Financial assets not measured at fair value					
Cash at banks and in hand	-	2,144	-	2,144	2,144
Financial assets at amortised cost	-	1,863,996	-	1,863,996	1,863,996
Receivable from related companies	-	11,616	-	11,616	11,616
	-	1,877,756	-	1,877,756	1,877,756
Total financial assets	29,536,881	1,877,756	-	31,414,637	31,414,637
Financial liabilities measured at fair value					
Derivative Financial Instruments	2,878	-	-	2,878	2,878
	2,878	-	-	2,878	2,878
Financial liabilities not measured at fair value					
Bank overdrafts	-	6,660	-	6,660	6,660
Securities sold under re-purchase agreements	-	27,482,737	-	27,482,737	27,484,820
Payable to related companies	-	716	-	716	716
Short term borrowings	-	991,384	-	991,384	991,384
Borrowings on debentures	-	511,111	-	511,111	499,792
	-	28,992,608	-	28,992,608	28,983,372
Total Financial Liabilities	2,878	28,992,608	-	28,995,486	28,986,250



NOTES TO THE FINANCIAL STATEMENTS

- 7 The above figures are provisional and subject to audit. The same accounting policies as in the Annual Report for the year ended 31st March 2019 have been followed in the preparation of the above provisional financial statements, other than the adoption of “SLFRS 16- Leases” which became effective for financial reporting periods beginning on or after 1st January 2019.

- SLFRS 16 requires the recognition of lease liabilities and right to use of assets for leases previously classified as operating leases in accordance with LKAS 17. Further, the standard requires to recognise depreciation allowance and finance charges during the lease period. The Company has adopted SLFRS 16 using modified retrospective method from 1st April 2019, without restating comparatives for the (year 2018/19) reporting period. Accordingly, following amounts have been recognised in the provisional financial statements.

As at	1 st April 2019 (Rs.'000)	
Statement of financial position		
Property, plant and equipment		
Recognition of right to use of assets	6,256	
For the period	January - March 2020 (Rs.'000)	April - March 2020 (Rs.'000)
Statement of comprehensive income		
Depreciation allowance in respect of right to use of assets	569	2,275

- 8 The presentation and classification of figures for the corresponding period of the previous year have been reclassified to be comparable with those of the current year where necessary.

9 Impact of adopting Interpretation by International Financial Reporting Interpretation Committee (IFRIC 23)

The Company has pending income tax assessments in relation to the chargeability of interest income on Primary Dealer’s operations for years of assessment of 2008/09, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 1.2Bn. The Company has appealed against the said assessments and are currently at different appeal procedure levels.

The Board of Directors of the Company has made an assessment on the impact on initial adoption of IFRIC 23 – Uncertainty over income tax treatment on the above assessments and accordingly has determined a provision for tax liability of Rs. 440Mn as at 1st April 2019 based on the tax consultants’ view. Provision made by the Company reflects the most likely amount of liability that the Company would be liable to pay considering the unutilised tax losses of Rs. 1.2Bn which better predicts the resolution of the uncertainty as per IFRIC 23. The said provisions represent Company’s assessment of the impact on the financial statements as a result of the initial adoption of IFRIC 23 as at the transition date (1st April 2019) retrospectively with the cumulative effect of initially applying the Interpretation as an adjustment to the opening balance of retained earnings.

10 Contingent Liabilities

There were no material contingent liabilities as at the reporting date which require disclosures in the financial statements for the year ended 31st March 2020 other than the followings:

- The Commissioner General of Inland Revenue determined the appeal on Financial VAT (2014/15) relating to the company amounting to Rs. 87.7Mn in favour of the Inland Revenue in October 2019. The appeal was submitted against the said determinations to the Tax Appeals Commission.

- Assessment on Financial VAT and NBT on financial services (2017/18) amounting to Rs. 121.9Mn and Rs. 16.2Mn respectively were issued to the company by the Inland Revenue. The company submitted appeals against the said assessments.

Based on tax consultant’s opinion, the Board of Directors of the Company is of the view that no liability would arise since the assessments and determinations are outside the scope of chargeability of taxes.

- 11 There have been no material events subsequent to the reporting date that require disclosures/ adjustments in the above provisional financial statements other than following:

- The Board of Directors of the Company declared 2nd interim dividend of Rs. 35/- per share amounting to Rs. 538,650,000/- for year 2019/20.

12 Market Price per Share

Market value is not available since the shares of the Company are not publicly traded.

13 Net assets per share

As at 31 st March 2020 Rs.	As at 31 st March 2019 Rs.
242.85	209.54



INVESTOR INFORMATION

14 Information on Listed Debentures

Date of allotment	Frequency on Interest Payment	No. of Debentures issued and allotted	Face Value Rs.000	Rate of Interest	Tenure	Date of Maturity
30 th January 2020	Semi annually	7,500,000	750,000	12.75% (AER-13.16%)	5 Years	30 th January 2025

Objectives of the Issue

The Company has achieved the following objectives as stipulated in the prospectus issued to raise Rs. 750Mn via the Debenture Issue made in January 2020.

Objective as per prospectus	Amount allocated as per Prospectus in Rs.	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount Utilised in Rs. (B)	% of Utilisation against allocation (B/A)
1. To finance the redemption of Listed Debentures matured on 6 th February 2020	500Mn	500Mn	66.67%	500Mn	100%
2. To invest in Government Securities	250Mn	250Mn	33.33%	250Mn	100%

Market value of Listed Debentures as at 31st March 2020

Debentures with 5 year maturity have not been traded during the quarter ended 31st March 2020.

Hence, par value is recognised as its market value. Hence, yield to maturity on trade done is also not applicable.

Debt Ratios

	As at 31 st March 2020	As at 31 st March 2019
Debt/ equity ratio (times)	8.81	8.99
Quick asset ratio (times)	1.14	1.11
Interest cover (times)	1.86	1.06

	As at 31 st March 2020	As at 31 st March 2019
Debenture Interest Yield		
5 year fixed rate (12.75 % p.a. payable semi annually)	12.75%	N/A

	As at 31 st March 2020	As at 31 st March 2019
Yield of comparable Government Securities		
5 Year treasury bond	9.25%	9.99%